

CADDO-BOSSIER PORT COMMISSION
SHREVEPORT, LOUISIANA
DECEMBER 31, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/29/05

CADDO-BOSSIER PORT COMMISSION

SHREVEPORT, LOUISIANA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CADDO-BOSSIER PORT COMMISSION
SHREVEPORT, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

This section of the Port's annual financial report presents a discussion and analysis of the Port's financial performance for the year ended December 31, 2004. Please read it in conjunction with the Port's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Port's equity increased \$3.4 million resulting primarily from availability of cash reserves accumulated for the purpose of repaying debt and constructing additional Port projects. The Port receives funds from the State of Louisiana, ad valorem taxes, and various agencies for the development and operation of the Port. Ordinary business activity resulted in an increase in net assets of \$3.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: *management's discussion and analysis (this section)*, the basic financial statements, and the notes to the financial statements.

The Port's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues and Expenses. All assets and liabilities associated with the operation of the Port are included in the Statements of Net Assets.

The financial statements provide both long-term and short-term information about the Port's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Equity

The Port's total assets at December 31, 2004 reached \$93.8 million. This represents an increase of \$5.5 million or 6.3 percent from the prior year. Total liabilities reached \$35.6 million for an increase of \$2.2 million or 6.5 percent and total net assets are \$58.2 million for an increase of \$3.4 million or 6.1 percent (See Table 1).

Table 1
Net Assets

	<u>2004</u>	<u>2003</u>	<u>Percentage</u> <u>Change</u>
Cash	7,674,994	2,838,328	170.4%
Other current assets	2,828,387	2,657,223	6.4%
Property-net	<u>83,248,639</u>	<u>82,726,397</u>	<u>0.6%</u>
Total assets	<u>93,752,020</u>	<u>88,221,948</u>	<u>6.3%</u>

Table 1 (Continued)
Net Assets

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
Current liabilities	3,717,148	5,370,798	-30.8%
Long-term debt	<u>31,842,266</u>	<u>28,017,476</u>	<u>13.7%</u>
Total liabilities	35,559,414	33,388,274	6.5%
<u>Net assets:</u>			
Contributed capital	42,546,135	42,544,016	0.0%
Retained earnings	<u>15,646,471</u>	<u>12,289,658</u>	<u>27.3%</u>
Total net assets	<u>58,192,606</u>	<u>54,833,674</u>	<u>6.1%</u>
Total liabilities and net assets	<u>93,752,020</u>	<u>88,221,948</u>	<u>6.3%</u>

Changes in Net Assets

The change in net assets at for 2004 was an increase of \$3.4 million or 6.3 percent. The Port's total operating revenues increased \$86,505 or 1.6 percent. Total operating expenses increased \$252,720 or 12.4 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

Restricted cash increased mainly due to the issuance of bonds to construct various port projects, the proceeds of which are being held in trust for future construction costs. The decrease in liabilities other than long-term debt resulted mainly from the forgiveness of the RRWC cooperative endeavor liability.

Table 2
Changes in Net Assets

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
<u>Operating revenues:</u>			
Ad valorem taxes	3,065,888	2,935,883	4.4%
Lease rentals	1,551,523	1,679,497	-7.6%
Port operations	483,701	503,819	-4.0%
Miscellaneous	<u>500,478</u>	<u>395,886</u>	<u>26.4%</u>
Total operating revenues	5,601,590	5,515,085	1.6%
<u>Operating expenses:</u>			
Operating expenses	2,296,624	2,043,904	12.4%
Depreciation	<u>2,733,119</u>	<u>2,542,247</u>	<u>7.5%</u>
Total operating expenses	<u>5,029,743</u>	<u>4,586,151</u>	<u>9.7%</u>
<u>Operating income</u>	571,847	928,934	-38.4%
<u>Nonoperating revenues/expenses:</u>			
Interest income	51,847	42,159	23.0%
Other	<u>-</u>	<u>(50,774)</u>	<u>-100.0%</u>
	<u>51,847</u>	<u>(8,615)</u>	<u>-701.8%</u>
Net income	<u>623,694</u>	<u>920,319</u>	<u>-32.2%</u>

Operating revenues increased by \$86,505 or 1.6 percent. This slight increase was due to an increase in the collection of ad valorem taxes.

Operating expenses increased by \$252,720 or 12.4 percent, mainly due to an increase in maintenance and repairs, professional services, salaries and employee benefits, and miscellaneous expenses.

Salaries and employee benefits increased 9.8 percent to \$929,458 resulting from normal payroll growth as the Port becomes more operational. Maintenance and repairs increased 95.3 percent, to \$45,710 due to needed maintenance projects as the Port facilities are used. Professional services increased significantly to \$232,938 mainly due to costs associated with the new bond issues during the year.

Telephone expenses decreased by 21.5 percent to \$18,783, due to a diligent effort by Port officials to monitor cell phone and long distance usage. Legal and accounting expenses decreased by 43.6 percent due to change in the direction of Port projects. Rentals decreased by 33.5 percent to \$43,995 due to restructuring of leased equipment.

Table 3
Operating Expenses

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
<u>General and administrative expenses:</u>			
Salaries and employee benefits	929,458	846,437	9.8%
Dues and subscriptions	21,715	21,113	2.9%
Office supplies and postage	28,243	27,504	2.7%
Fuel and lubes	14,594	14,870	-1.9%
Telephone	18,783	23,941	-21.5%
Utilities	31,858	34,759	-8.3%
Insurance	177,200	189,679	-6.6%
Rentals	43,995	66,150	-33.5%
Supplies and materials	8,923	7,575	17.8%
Maintenance and repairs	45,710	23,407	95.3%
Miscellaneous	<u>70,850</u>	<u>30,438</u>	<u>132.8%</u>
Total general and administrative expenses	1,391,329	1,285,873	8.2%
Fire station operations	425,636	436,242	-2.4%
Legal and accounting	60,851	107,926	-43.6%
Travel, promotional and marketing	185,870	187,232	-0.7%
Professional services	<u>232,938</u>	<u>26,631</u>	<u>774.7%</u>
	<u>2,296,624</u>	<u>2,043,904</u>	<u>12.4%</u>

Depreciation increased \$190,872 or 7.5 percent. An increase in construction projects will continue and therefore, depreciation expense will increase each year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2004, the Port had invested \$83.2 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase of \$522,242. Such increase is primarily attributed to the construction of the water supply loop, the Morris Dickson distribution center, the transit shed project, and the Omni Specialty project amounting to \$3.2 million less depreciation of \$2.7 million.

Additional information on the Caddo-Bossier Port Commission's capital assets can be found in Note 4 on Page 10 of this report.

Long-Term Debt

The Port issued additional debt of \$8,100,155 during the year for the construction of the Omni facility building and various other projects of the Port.

The Port has made its regularly scheduled payments on all of its long-term debt. During 2004, \$4,275,365 in principal payments and \$1,243,924 in interest payments were made. All bond debt covenants have been met. Additional information on the Caddo-Bossier Port Commission's debt can be found in Note 9 on Pages 11-15 of this report.

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Port at (318) 524-2272.

AUDITED FINANCIAL STATEMENTS

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

January 26, 2005

The Board of Commissioners
Caddo-Bossier Port Commission
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statements of net assets of the Caddo-Bossier Port Commission as of December 31, 2004 and 2003, and the statements of revenues and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Caddo-Bossier Port Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Caddo-Bossier Port Commission as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2005, on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Port has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" in 2004.

The Management's Discussion and Analysis on Pages i through iv is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Caddo-Bossier Port Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Heard, McElroy & Vestal, LLP

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF NET ASSETS

DECEMBER 31, 2004 AND 2003

<u>A S S E T S</u>	<u>2004</u>	<u>2003</u>
Cash and interest-bearing deposits-Note 2	3,824,155	2,740,223
Cash-restricted-Note 9	<u>3,850,839</u>	<u>98,105</u>
Total cash	7,674,994	2,838,328
Accounts receivable-ad valorem taxes, net of allowance for uncollectibles of \$168,715 and \$135,544, respectively-Note 6	2,643,700	2,125,000
Accounts receivable-other	184,687	505,902
Prepaid expenses	-	26,321
Land, buildings and equipment (net of accumulated depreciation)-Note 4	<u>83,248,639</u>	<u>82,726,397</u>
Total assets	<u>93,752,020</u>	<u>88,221,948</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	355,142	830,714
Accrued liabilities payable	45,509	45,162
Deferred revenue-Notes 6 and 10	3,316,497	2,853,672
RRWC cooperative endeavor liability-Note 15	-	1,641,250
Long-term debt-Note 9	<u>31,842,266</u>	<u>28,017,476</u>
Total liabilities	35,559,414	33,388,274
<u>Net assets:</u>		
Contributed capital	42,546,135	42,544,016
Retained earnings	<u>15,646,471</u>	<u>12,289,658</u>
Total net assets	<u>58,192,606</u>	<u>54,833,674</u>
Total liabilities and net assets	<u>93,752,020</u>	<u>88,221,948</u>

The accompanying notes are an integral part of these financial statements.

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>Operating revenues:</u>		
Ad valorem taxes-Note 6	3,065,888	2,935,883
Lease rentals and oil and gas royalty income-Note 12	1,551,523	1,679,497
Safety tariff revenue-Note 14	63,030	57,370
Water and sewer revenue-Note 13	391,447	338,510
Port operations revenue	483,701	503,819
Miscellaneous income	<u>46,001</u>	<u>6</u>
Total operating revenues	5,601,590	5,515,085
<u>Operating expenses:</u>		
General and administrative	1,391,329	1,285,873
Fire station operations	425,636	436,242
Legal and accounting	60,851	107,926
Travel promotional and marketing	185,870	187,232
Professional services	<u>232,938</u>	<u>26,631</u>
Total operating expenses before depreciation	<u>2,296,624</u>	<u>2,043,904</u>
<u>Operating income before depreciation</u>	3,304,966	3,471,181
<u>Depreciation expense</u>	<u>2,733,119</u>	<u>2,542,247</u>
<u>Operating income</u>	571,847	928,934
<u>Nonoperating revenues (expenses):</u>		
Interest income	51,847	42,159
Olin landfill settlement-Note 11	-	(125,000)
Other (net)-Note 11	<u>-</u>	<u>74,226</u>
Total	<u>51,847</u>	<u>(8,615)</u>
<u>Net income</u>	<u>623,694</u>	<u>920,319</u>

The accompanying notes are an integral part of these financial statements.

CADDO-BOSSIER PORT COMMISSION
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Retained Earnings</u>	<u>Contributed Capital</u>	<u>Total</u>
<u>Ending balance-December 31, 2002</u>	8,827,092	41,550,293	50,377,385
Net income	920,319	-	920,319
Contributed capital-Note 3	-	3,535,970	3,535,970
Transfer of depreciation expense to contributed capital	<u>2,542,247</u>	<u>(2,542,247)</u>	<u>-</u>
<u>Ending balance-December 31, 2003</u>	12,289,658	42,544,016	54,833,674
Net income	623,694	-	623,694
Contributed capital-Note 3	-	2,735,238	2,735,238
Transfer of depreciation expense to contributed capital	<u>2,733,119</u>	<u>(2,733,119)</u>	<u>-</u>
<u>Ending balance-December 31, 2004</u>	<u>15,646,471</u>	<u>42,546,135</u>	<u>58,192,606</u>

The accompanying notes are an integral part of these financial statements.

CADDO-BOSSIER PORT COMMISSION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>Cash flows from operating activities:</u>		
Net income	623,694	920,319
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	2,733,119	2,542,247
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(197,485)	(399,451)
Prepaid expenses	26,321	26,320
Accounts payable and accrued liabilities	(475,226)	682,002
Deferred revenue	<u>462,825</u>	<u>(53,876)</u>
Net cash provided by operating activities	3,173,248	3,717,561
<u>Cash flows from capital and related financing activities:</u>		
Contributed capital and forgiveness of RRWC cooperative endeavor debt	1,150,656	3,535,970
Expenditures for acquisition and construction of capital assets	(3,255,361)	(7,540,690)
RRWC cooperative endeavor payments	(56,667)	(85,000)
Proceeds from issuance of debt	8,100,155	1,895,700
Repayments of principal borrowed to finance acquisition and construction of capital assets	<u>(4,275,365)</u>	<u>(865,977)</u>
Net cash provided (used) for capital and related financing activities	<u>1,663,418</u>	<u>(3,059,997)</u>
<u>Net increase in cash and cash equivalents</u>	4,836,666	657,564
<u>Cash and cash equivalents, beginning of year</u>	<u>2,838,328</u>	<u>2,180,764</u>
<u>Cash and cash equivalents, end of year</u>	<u>7,674,994</u>	<u>2,838,328</u>
<u>Interest paid</u>	<u>1,243,924</u>	<u>1,260,291</u>

The accompanying notes are an integral part of these financial statements.

CADDO-BOSSIER PORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

I. Organization and Significant Accounting Policies

Organization

The Caddo-Bossier Port Commission ("Port") is an independent political subdivision of the State of Louisiana and was created by Act 1975 No. 66 and numbered Chapter 37 Sections 34:3158 through 34:3165 under authority of R.S. 24:253 continued as a statute from Article VI, Section 32 of the Constitution of the State of Louisiana of 1921. The Port has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain facilities and to regulate the commerce and traffic within the Caddo-Bossier Port area.

The Port is governed by a Board of nine Commissioners; one each is appointed by the Bossier Parish Police Jury and the Caddo Parish Commission, five are appointed by the governing authority of the City of Shreveport, and two are appointed by the City of Bossier City. The Commissioners are not compensated for their services. They are, however, reimbursed in full for travel expenditures.

Title to all property and improvements operated by the Port is held for the public and vests in the Port for public administration, subject to the right of the Port to lease, sell or otherwise dispose of the property with proper public notice.

Significant Accounting Policies

The accounting and reporting policies of the Port conform to generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain significant changes in the statement include the following:

1. For the first time the financial statements include:
 - a. A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Port has implemented the Statement in the current year.

(a) Basis of Presentation - Fund Accounting

The Port's operations are accounted for in a proprietary fund type--the enterprise fund. The proprietary fund type is accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings. The operating statement presents increases (revenues) and decreases (expenses) in net total assets.

1. Organization and Significant Accounting Policies (Continued)

The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The measurement focus emphasizes the determination of net income. The Port follows the accrual basis of accounting for its proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the Port has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

(b) Property, Plant and Equipment

Prior to January 1, 2000, fixed assets used in governmental fund type operations were accounted for in the general fixed assets account group. All fixed assets were valued at historical cost or estimated historical cost if actual historical cost was not available. No depreciation was provided on general fixed assets through December 31, 1999. Effective January 1, 2000, the fixed assets recorded in the General Fixed Assets Group of Accounts were transferred to the Enterprise Fund. These assets are in service and the majority of resources generated by them are obtained from fees charged to those entities that utilize these fixed assets.

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water and Sewer Facility	50 years
Port Facility	40 years
Intermodal Container Facility	30 years
Access Roads	25 years
Railroads	20 years
Intermodal Equipment	10 years
Furniture and Fixtures	7 years

(c) Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Port considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingencies and litigation arising in the ordinary course of business. It is possible that management's estimates will change in the near term.

2. Cash and Interest-Bearing Deposits

Deposits of the Port are held at various financial institutions. At December 31, 2004, the carrying amounts of the Port cash demand deposits were \$7,674,994 and the bank balance was \$7,844,198. This difference is due to deposits in transit and outstanding checks. At year end, all deposits were entirely covered by federal depository insurance, U. S. Government Securities, and/or collateralized with securities, as required by state law.

Included in cash and interest-bearing deposits is \$455,955 and \$1,474,746 at December 31, 2004 and 2003, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1 + commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

3. Contributed Capital

State grants are made available to the Port for the acquisition, improvement or construction of property and equipment and planning studies. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized at that point in time when the right to the funds becomes irrevocable. Where the expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expense is incurred. Operating grants are credited to income, and capital grants are credited to contributed capital.

The following governmental entities provided funding for the Port during the years ended December 31, 2004 and 2003:

3. Contributed Capital (Continued)

	<u>2004</u>	<u>2003</u>
Economic Development Administration	-	1,000,000
Transportation Security Administration	137,304	40,000
State of Louisiana Department of Transportation and Development	118,020	1,766,083
Red River Waterway Commission	1,713,654	460,899
Louisiana Department of Economic Development	<u>766,260</u>	<u>268,988</u>
	<u>2,735,238</u>	<u>3,535,970</u>

These funds were provided specifically for capital projects and are shown as a direct contribution to net assets.

4. Property, Plant, and Equipment

Effective January 1, 2000, the general fixed asset account group assets were transferred to the Enterprise Fund as these assets were substantially complete and in operation. These fixed assets consist of Port facilities including land, buildings, wharfs, docks, rail, switchyard, access roads, tank and storage facilities, water and sewer facilities, and a fire station.

During the year ended December 31, 2004, capital expenditures consisted mainly of additions to the slack water harbor, the second water supply loop and the Morris Dickson distribution center. During the year ended December 31, 2003, capital expenditures consisted mainly of additions to the Slack water harbor, the second water supply loop, and the Morris Dickson distribution center. Capitalized interest costs included in fixed assets were \$1,243,924 and \$1,260,291 for the years ended December 31, 2004 and 2003, respectively. Depreciation expense totaled \$2,733,119 and \$2,542,247 for the years ended December 31, 2004 and 2003, respectively. Commitments for construction projects started but not yet complete total approximately \$1,943,800 at December 31, 2004.

The following is a summary of Port fixed assets at December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Land, including acquisition costs	7,373,585	7,328,208
Buildings and operating facilities	88,449,566	85,367,735
Equipment, furniture and fixtures	<u>506,771</u>	<u>378,618</u>
	96,329,922	93,074,561
<u>Less-accumulated depreciation</u>	<u>(13,081,283)</u>	<u>(10,348,164)</u>
Net property, plant and equipment	<u>83,248,639</u>	<u>82,726,397</u>

5. Compensated Absences

The Port has the following policy relating to vacation and sick leave:

Vacation - Accrues in the following manner:

- 1) After 1 year of service 10 days of paid vacation
- 2) After 10 years of service 15 days of paid vacation

Part time employees accrue vacation on a pro rata basis. Employees may accumulate and carry forward five days of vacation but vacation carried forward must be taken before July 1 of the following year.

5. Compensated Absences (Continued)

Sick leave - Earned by full-time employees at the rate of 5 days per year after one year of continuous employment and accumulating up to 26 weeks maximum. Part time employees accumulate sick leave on a pro rata basis.

6. Property Taxes

On April 3, 1993, the voters of Caddo and Bossier parishes approved a special tax of 2 ½ mills to be levied on the property subject to taxation in the port area consisting of Caddo and Bossier Parishes for a period of twenty-five years, commencing with the year 1993, for the purpose of site acquisition and for constructing, acquiring, improving and equipping docks and wharves, transfer and storage facilities, commercial and industrial facilities and other port, transportation and infrastructure facilities and improvements within the Port area, and for paying the commission's expenses of administering, maintaining, operating and marketing its facilities in the Port area. Anticipated revenues from the 2004 assessment have been recorded as deferred revenue at December 31, 2004 in the amount of \$2,643,700 as these taxes relate to 2005. See Note 10 for an explanation of other deferred revenue.

Property taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on January 1 of the following year. An allowance is established for delinquent taxes to the extent that their collectibility is estimated to be improbable.

7. Leases

The Port leased equipment during the year, under an operating lease. Rental expense was \$41,728 and \$49,578 in 2004 and 2003, respectively. Future minimum lease payments under this operating lease are as follows:

2005	42,145
2006	42,145
2007	42,145
2008	42,145
2009	<u>3,512</u>
	<u>172,092</u>

8. Profit-Sharing Plan

Prior to 1999, the Port maintained a SEP Retirement Plan and contributed seven and one-half percent (7½%) of each employee's salary with the employee permitted, through a salary reduction plan, to defer like amount. During 1999, the existing SEP Retirement Plan was determined to be prohibitive for employee contributions and the plan was terminated. Beginning January 1, 2000, the Port adopted and initiated a Qualified 401(a) Retirement Program for all eligible employees who are 21 years of age, completed 12 months of service, and are credited with 1,000 hours of service. Under this plan, the Board of Commissioners may determine a discretionary contribution percent of gross salary for each budget year. It is set at a contribution of seven and one-half percent (7½%) of gross salary for 2004 and 2003. Contributions to the Plan totaled \$48,251 and \$39,279 for the years ended December 31, 2004 and 2003, respectively. The Port also adopted a plan under Code Section 457, Salary Deferral Plan, for employee contribution, effective January 1, 2000. The Port does not contribute to this plan.

9. Long-Term Debt

Following is a summary of bonds payable:

<u>Description</u>	<u>Amount of Original Issue (Bonds Only)</u>	<u>2004</u>			<u>Balance December 31, 2004</u>
		<u>Balance January 1, 2004</u>	<u>Principal Payments</u>	<u>Issued 2004</u>	
Water Revenue Bonds, Series 1997, principal payments began 5/24/2000, interest payments began 4/24/98, secured and payable from water revenue, interest at 5.5%, final maturity 5/24/2037	11,950,000	11,516,776	99,665	-	11,417,111
Limited Tax Revenue and Refunding Bonds Series 1995-D, principal paid March 1, interest paid March 1 and September 1, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	6,580,000	4,465,000	285,000	-	4,180,000
Louisiana Local Government Environmental Facilities and Community Development Authority Interim Loan, interest at 1.6 over Bond Municipal Association Index, 2.6% at 12/31/2004, loan principal up to \$3.2 million	N/A	1,895,700	1,895,700	-	-
Limited Tax Bonds, Series 1995-C, principal paid March 1, interest paid March 1 and September 1, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	4,770,000	3,615,000	210,000	-	3,405,000
Sewer Limited Tax Bonds, Series 1995, principal payments began March 1, 1997, interest payments began September 1, 1995, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rate 2.45%, .5% annual admin- istration fee, final maturity 3/1/2016	6,250,329	5,025,000	285,000	-	4,740,000
Louisiana Local Government Environ- mental Facilities and Community Development Authority Revenue Refunding Bonds Series 2000, variable interest rate, interest only payments began 12/7/2000 and are due monthly, principal due at final maturity 11/1/2020	1,500,000	1,500,000	1,500,000	-	-

9. Long-Term Debt (Continued)

<u>Description</u>	2004				
	Amount of Original Issue	Balance January	Principal	Issued	Balance December
Louisiana Local Government Environ- mental Facilities and Community Development Authority Revenue Bonds Series 2000, principal pay- ments begin 3/1/2006, variable interest not to exceed 12%	7,500,000	-	-	295,155	295,155
Louisiana Local Government Environ- mental Facilities and Community Development Authority Revenue and Refunding Bonds Series 2004, principal and interest payments begin 11/1/2005, variable interest rate not to exceed 10%, fixed rate not to exceed 7%	5,500,000	-	-	5,480,000	5,480,000
Water Revenue Bonds Series 2003, principal payments begin July 2005, interest payments begin June 2005, interest rate 4.375% for 40 years	3,200,000	-	-	<u>2,325,000</u>	<u>2,325,000</u>
Total general long-term debt		<u>28,017,476</u>	<u>4,275,365</u>	<u>8,100,155</u>	<u>31,842,266</u>

<u>Description</u>	2003				
	Amount of Original Issue (Bonds Only)	Balance January 1, 2003	Principal Payments	Issued 2003	Balance December 31, 2003
Water Revenue Bonds, Series 1997, principal payments began 5/24/2000, interest payments began 4/24/98, secured and payable from water revenue, interest at 5.5%, final maturity 5/24/2037	11,950,000	11,637,753	120,977	-	11,516,776
Limited Tax Revenue and Refunding Bonds Series 1995-D, principal paid March 1, interest paid March 1 and September 1, secured and pay- able from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	6,580,000	4,745,000	280,000	-	4,465,000

9. Long-Term Debt (Continued)

<u>Description</u>	<u>2003</u>				
	<u>Amount of Original Issue (Bonds Only)</u>	<u>Balance January 1, 2003</u>	<u>Principal Payments</u>	<u>Issued 2003</u>	<u>Balance December 31, 2003</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Interim Loan, interest at 1.6 over Bond Municipal Association Index, 2.67% at 12/31/2003, loan principal up to \$3.2 million	N/A	-	-	1,895,700	1,895,700
Limited Tax Bonds, Series 1995-C, principal paid March 1, interest paid March 1 and September 1, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rates from 5% to 8%, final maturity 3/1/2015	4,770,000	3,810,000	195,000	-	3,615,000
Sewer Limited Tax Bonds, Series 1995, principal payments began March 1, 1997, interest payments began September 1, 1995, secured and payable from the proceeds of 2½ mill ad valorem tax, interest rate 2.45%, .5% annual administration fee, final maturity 3/1/2016	6,250,329	5,295,000	270,000	-	5,025,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds Series 2000, variable interest rate, interest only payments began 12/7/2000 and are due monthly, principal due at final maturity 11/1/2020	1,500,000	<u>1,500,000</u>	-	-	<u>1,500,000</u>
Total general long-term debt		<u>26,987,753</u>	<u>865,977</u>	<u>1,895,700</u>	<u>28,017,476</u>

In addition to the above bonds, the Port entered into a Letter of Credit (LOC) agreement with Hibernia on November 12, 2004. The LOC is for an amount not to exceed \$5,577,000 and expiring November 11, 2009. As of December 31, 2004, the Port had not drawn down this LOC.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2004 are as follows:

9. Long-Term Debt (Continued)

<u>Year Ending December 31</u>	<u>General Long-Term Debt</u>
2005	2,471,880
2006	2,956,735
2007	2,669,160
2008	2,679,243
2009	2,686,706
2010-2014	13,602,705
2015-2019	8,259,927
2020-2024	6,556,830
2025-2029	6,562,855
2030-2034	6,562,305
2035-2039	<u>2,437,472</u>
Total	57,445,818
<u>Less-interest</u>	<u>(25,603,552)</u>
Outstanding principal	<u>31,842,266</u>

There are a number of limitations and restrictions contained in the bond indentures. The Port is in compliance with all significant limitations and restrictions.

Certain cash accounts are restricted for the repayment of bond principal and interest. Restricted cash totaled \$3,850,839 and \$98,105 at December 31, 2004 and 2003, respectively.

10. Deferred Revenue

During 1996, the Port entered into a lease agreement with Quaker State Corporation for the lease of a 94.5 acre tract of land at the Port site. The lease is for a term of twenty years from November 1, 1994, and the total rent of \$1,030,540 was prepaid. In 1998, the Port partially canceled the lease in order to acquire acreage back for additional construction. The Port paid \$95,491 to Quaker State, leaving a balance of \$814,013 prepaid as of December 31, 1998. Rental income of \$50,876 was recognized in 2004 and 2003 for this lease. Deferred revenue for the Quaker State agreement totaled \$508,758 and \$559,633 as of December 31, 2004 and 2003, respectively. During 1998, the Port entered a lease agreement with Oakley Louisiana, Inc. for a term of forty years. Total rent of \$200,000 was prepaid. Rental income of \$5,000 was recognized in 2004 and 2003. Deferred revenue for the Oakley agreement totaled \$164,039 and \$169,039 as of December 31, 2004 and 2003.

11. Litigation

As of December 31, 2004, the Port was involved in two lawsuits. First, the Port filed suit against the Caddo-Shreveport Sales and Use Tax Commission for a declaratory judgment concerning the Port's exemption from sales tax, which the Port believes should extend to construction materials purchased by contractors as agent for the Port. Sales taxes under dispute total \$360,832. This case was settled in October 2001 and resulted in the Port paying \$96,178 to the Sales and Use Tax Commission. The remaining \$264,654 was recorded in nonoperating revenues. This issue may remain open with the State of Louisiana, Department of Revenue.

11. Litigation (Continued)

However, the Port has met with the Louisiana Department of Revenue and Taxation and hopes to resolve this issue without the payment of additional sales taxes. There are audits which have been rendered in connection with Port jobs that could result, if all were pursued and all issues decided unfavorably to the Port, in the Port paying an additional approximate \$100,000 in sales taxes.

The second suit is related to expropriation of permanent servitudes for the construction of roads, railroads, pipelines, power, water, gas and sewer lines and other utilities at the Port site. The landowners claim that the property taken was worth more than the amount paid by the Port. The Port is defending its position; however, the outcome of this matter is unknown. The Port doesn't believe the claim will have a material impact on its financial statements.

Also, included in 2003 other (net) nonoperating revenues is \$114,384 in settlement proceeds received by the Port related to a dispute over mineral rights.

12. Rental Income Under Operating Leases

The Port is a lessor of certain property which consists principally of acreage and the use of a petroleum dock. Some leases contain option renewal periods. Following is a schedule by year of future rental income to be received under noncancelable operating leases in effect as of December 31, 2004:

Year Ending December 31:

2005	844,306
2006	841,906

Year Ending December 31:

2007	510,432
2008	444,137
2009	444,137
Thereafter	<u>8,364,511</u>
	<u>11,449,429</u>

13. Water and Sewerage Revenue

The Port receives revenue from the City of Shreveport which it collects from water and sewerage customers who use the waterworks system which was constructed by proceeds received by the Port from the issuance of water revenue bonds. As of December 31, 2004 and 2003, there were five commercial users and no residential users of the waterworks system. Total revenue received in 2004 and 2003 was \$391,447 and \$338,510, respectively. Following is a schedule of water rates charged by the City of Shreveport:

Customer fee on sewerage charges	6.34 x actual water usage
Water charges per 1,000 gallons:	
Residential	3.76
Commercial	3.30
Industrial	3.04

Note: Port customers are charged double since the system is located outside the city limits.

14. Safety Tariff Revenue

The Port receives revenue related to Ordinance No. 1 enacted in 2000 to partially fund fire, emergency medical and security services provided by the Port. The Safety Tariff is equal .2% of the asset value of the Port's complex occupants and totaled \$63,030 and \$57,370 for the years ended December 31, 2004 and 2003, respectively.

15. RRWC Cooperative Endeavor Liability

Effective September 23, 1999, the Port entered into a Cooperative Endeavor agreement with the Red River Waterway Commission (RRWC) whereby the RRWC agreed to provide up to \$2.5 million for improvements to the Port under certain provisions. These provisions include the Port entering into a lease with Omni and Omni agreeing to expend not less than \$3.0 million to provide furniture, fixtures, equipment and other property necessary to make the leased facility operational. In recognition of the RRWC's assistance in the development of the Port, the Port agreed to pay the RRWC an amount not to exceed \$1,875,000. At December 31, 2003, the Port owed the RRWC \$1,641,250.

During the year 2004, this debt was forgiven by the RRWC after \$56,667 had been paid toward the loan. Therefore, the balance of \$1,584,583 was transferred to contributed capital. The transfer was considered a non-cash transaction and reflected as such in the cash flow statement.

16. Conduct Debt

From time to time, the Port has issued Revenue bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

Revenue bonds in the amount of \$10,000,000 were issued by the Port on August 1, 2003, for the account of Morris & Dickson Co., L.L.C. (MD) for the purpose of financing leasehold improvements, equipment and machinery. During this same period, the Port entered into a lease with MD for the facilities in which it operates. The Port also agreed to complete certain improvements to the property (road/sewer) in the amount of \$1,000,000. The aggregate amount of bonds outstanding at December 31, 2004, is not readily determinable by the Port.

The Port issued \$5,500,000 of Revenue bonds on November 1, 2004, for the account of Arkla Disposal, L.L.C. for the purpose of financing leasehold improvements. During the same period, the Port also entered into a lease with Arkla Disposal, L.L.C. for the facilities in which it operates. The bonds are due in 240 monthly installments, beginning December 1, 2004, at 5% interest. A letter of credit in the amount of \$5,000,000 from Hibernia National Bank was also issued in regard to this bond issue. It was issued for the account of the Caddo-Bossier Port Commission, a public corporation and instrumentality of the Parishes of Caddo and Bossier, on whose behalf the Louisiana Local Government Authority, a political subdivision of the State of Louisiana created pursuant to the authority of Chapter 10-D of Title 33 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 33:4548.1 through 4548.16). The term of this Letter of Credit shall expire at 5:00 p.m. local time in New Orleans, Louisiana, on November 11, 2009. The aggregate amount of bonds outstanding at December 31, 2004, was \$5,470,208.

OTHER REPORTS

January 26, 2005

The Board of Commissioners
Caddo-Bossier Port Commission
Shreveport, Louisiana

Independent Auditor's Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

We have audited the financial statements of Caddo-Bossier Port Commission as of and for the year ended December 31, 2004, and have issued our report thereon dated January 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have audited the financial statements of Caddo-Bossier Port Commission as of and for the year ended December 31, 2004, and have issued our report thereon dated January 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caddo-Bossier Port Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caddo-Bossier Port Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Commissioners, management, and the Office of the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, Mc Elroy & Vistal, LLP

CADDO-BOSSIER PORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004

We have audited the financial statements of Caddo-Bossier Port Commission as of and for the year ended December 31, 2004, and have issued our report thereon dated January 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control - No material weakness or reportable condition was noted; no management letter was issued.

Compliance - No material noncompliance was noted.

b. Federal Awards - No major program.

Section II - Financial Statement Findings

No matters were reported.

CADDO-BOSSIER PORT COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004

No prior year findings were reported.

OTHER INFORMATION

CADDO-BOSSIER PORT COMMISSION
P. O. Box 52071
Shreveport, Louisiana 71135-2071
(318) 861-4981

2005 BOARD OF COMMISSIONERS

<u>Name and Address</u>	<u>Last Appointment/Term</u>
Lynn Austin, President 2108 Hope Street Bossier City, LA 71112 Office telephone 549-5036; fax 549-5075	City of Bossier 10/18/2001 - 3/29/2006
Frank R. Pernici, Vice President 4000 Industrial Drive Shreveport, LA 71112 Office telephone 741-3757; fax 741-3272	City of Shreveport 7/26/2001 - 2007
James L. Pannell, Secretary-Treasurer 2230 Jewella Road Shreveport, LA 71109 Office telephone 636-2000; fax 635-9735	City of Shreveport 4/1/2003 - 8/12/2005
A. K. "Abe" Busada 514 Dunmoreland Drive Shreveport, LA 71106 Home telephone 868-6460	Caddo Parish 3/13/2003 - 2009
Maxine E. Sarpy 325 Holcomb Shreveport, LA 71103 Home telephone and fax 424-1890	City of Shreveport 3/31/2001 - 2007
Michael H. Wainwright 713 Southfield Road Shreveport, LA 71106 Office telephone 865-0781; fax 869-1564	City of Shreveport 7/18/1997 - 2003
Lorenz J. "Lo" Walker 1305 Holiday Place Bossier City, LA 71112	City of Bossier 2/16/2001 - 2007
Steve Watkins 105 Oxford Circle Bossier City, LA 71111 Office telephone 742-9438; fax 752-1940	Bossier Parish 2/15/2003 - 2009
Milton L. Williams 2133 E. Bert Kouns Industrial Loop Shreveport, LA 71105 Office telephone 797-0551; fax 797-7269	City of Shreveport 7/27/2003 - 2009

CADDO-BOSSIER PORT COMMISSION

SCHEDULE OF INSURANCE

AS OF DECEMBER 31, 2004

	<u>Coverage</u>	<u>Expiration</u>
<u>Commercial Property:</u>		
Blanket property and equipment	33,541,962	12/31/2005
<u>Boiler and Machinery Damage:</u>		
Machinery breakdown/business income	17,000,000	1/1/2006
<u>Marine and General Liability:</u>		
Each occurrence	1,000,000	12/31/2005
Products/Comp ops aggregate	2,000,000	
Personal/advertising injury	1,000,000	
<u>Hired and Nonowned Auto Liability:</u>		
Each accident	1,000,000	1/13/2006
<u>Umbrella Liability:</u>		
Each occurrence	10,000,000	12/31/2005
Aggregate Products/Comp ops only	10,000,000	
<u>Public Officials Liability:</u>		
Each loss	2,000,000	1/1/2006
Aggregate	2,000,000	
<u>Pollution Legal Liability:</u>		
Per occurrence	3,000,000	1/1/2006
<u>Commercial Crime:</u>		
Employee dishonesty	1,000,000	1/1/2006
Forgery	1,000,000	
<u>Worker's Compensation:</u>		
LA Worker's compensation	Statutory	10-25-2005
Each accident/disease	1,000,000	